

## 1997 SMALL BUSINESS PROFILE

### SMALL BUSINESS: BACKBONE OF THE NEBRASKA ECONOMY

The importance of small business to the state of Nebraska is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

**Number of Businesses** - In 1996, Nebraska had 42,878 businesses with employees; 97.2 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 60,000 self-employed persons in 1996, for an estimated total of 102,878 businesses.

**Small Business Income** - The income of sole proprietors and partners rose 5.0 percent to \$2.5 billion in 1996, while wage-and-salary income rose 6.4 percent. Total personal income rose 6.3 percent to \$23.4 billion. The state also exported \$2.5 billion of goods in 1996.

**Minority Businesses** - According to The National Foundation for Women Business Owners, as of 1996, there were 57,400 women-owned businesses in Nebraska, including part-time firms, employing 148,900 people and generating \$18.6 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 63.3 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 56.4 percent from 1987 to 1992, totaling 1,350 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 85.3 percent during the same time period with 1,147 firms in 1992. There has also been an increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 451 in 1987, to 670 in 1992, representing a 48.6 percent increase.

**Business Turnover** - The number of new firms increased 1.3 percent, while new business incorporations increased 2.8 percent in 1996. Financial difficulties leading to business bankruptcies increased by 30.2 percent and business failures increased by 20.7 percent during 1996.

**Finance** - An SBA Office of Advocacy study found that the number of banks in Nebraska decreased from 356 in 1994 to 331 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

| Bank Name                 | Location         |
|---------------------------|------------------|
| VALLEY B&TC               | Scottsbluff      |
| HERSHEY ST BK             | Hershey          |
| FARMERS ST BK             | Dodge            |
| CITY ST BK                | Sutton           |
| FIRST CENTRAL BK          | Cambridge        |
| DAKOTA CTY ST BK          | South Sioux City |
| GOTHENBURG ST B&TC        | Gothenburg       |
| AMERICAN NB OF FREMONT    | Fremont          |
| BEATRICE NB&TC            | Beatrice         |
| SECURITY NB OF SUPERIOR   | Superior         |
| PEOPLES WEBSTER CTY BK    | Red Cloud        |
| RAVENNA BK                | Ravenna          |
| ADAMS B&TC                | Ogallala         |
| JONES NB&TC OF SEWARD     | Seward           |
| UNION B&TC                | Lincoln          |
| NATIONAL BK OF CMRC TR&SA | Lincoln          |
| FIRST BK NA               | Omaha            |

**Job Growth** - Small businesses created 64,666 of the 113,232 net new jobs from 1992 to 1996. Very small businesses (less than 20 employees) created 58.2 percent of the small business growth with 37,614 new jobs. These numbers clearly reflect the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

| Industry       | 1-4    | 5-19   | 20-99  | 100-499 | 500+    | Totals  |
|----------------|--------|--------|--------|---------|---------|---------|
| All Industries | 24,720 | 12,894 | 10,645 | 16,407  | 48,566  | 113,232 |
| Manufacturing  | 1,212  | 699    | 1,139  | 519     | 11,878  | 15,448  |
| Retail Trade   | 5,609  | 2,471  | 1,868  | 1,749   | (164)   | 11,531  |
| Services       | 14,359 | 6,602  | 6,865  | 15,014  | 39,393  | 82,233  |
| Other          | 3,540  | 3,122  | 773    | (874)   | (2,540) | 4,020   |

**Industries** - The composition of small business in Nebraska is very diverse. The Eating & Drinking Places industry is the largest small business employer in Nebraska, followed by Health Services. The fastest growing industry for small business is Transportation Equipment (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1994, the latest year available.

Table 1, Top Five Industries in Nebraska by Employment, 1994

| Industry                         | SIC  | Employment<br>Total | Percent of<br>Total | Percent<br>Small |
|----------------------------------|------|---------------------|---------------------|------------------|
| Total - All Industries           | --   | 648,409             | 100.0               | 55.4             |
| Health Services                  | 8000 | 72,320              | 11.2                | 45.1             |
| Business Services                | 7300 | 56,009              | 8.6                 | 35.9             |
| Eating & Drinking Places         | 5800 | 52,195              | 8.0                 | 71.8             |
| Food & Kindred Products          | 2000 | 33,389              | 5.1                 | 12.3             |
| Wholesale Trade-Nondurable Goods | 5100 | 25,744              | 4.0                 | 70.5             |

Table 2, Top Five Small Business Industries in Nebraska by Employment, 1994

| Industry                        | SIC  | Employment in<br>firms with 0 - 499<br>employees | Percent of<br>Total | Percent<br>Small |
|---------------------------------|------|--|---------------------|------------------|
| Total - All Industries          | --   | 359,395  | 100.0               | 55.4             |
| Eating & Drinking Places        | 5800 | 37,459   | 8.0                 | 71.8             |
| Health Services                 | 8000 | 32,602   | 11.2                | 45.1             |
| Wholesale Trade - Durable Goods | 5000 | 20,300   | 3.9                 | 80.8             |
| Business Services               | 7300 | 20,085   | 8.6                 | 35.9             |
| Special Trade Contractors       | 1700 | 18,471   | 2.9                 | 97.3             |

Table 3, Fastest Growing Industries for Small Business in Nebraska, 1993 - 1994

| Industry  | 1993    | 1994    | Amount<br>Change | Percent<br>Change |
|---|---------|---------|------------------|-------------------|
| Total - All Industries                                    | 355,014 | 359,395 | 4,381            | 1.2               |
| Transportation Equipment                                  | 904     | 1,058   | 154              | 17.0              |
| Industrial & Commercial Machinery & Computer<br>Equipment | 5,406   | 5,931   | 525              | 9.7               |
| Rubber & Miscellaneous Plastics Products                  | 2,129   | 2,316   | 187              | 8.8               |
| Lumber & Wood Products, Except Furniture                  | 1,402   | 1,521   | 119              | 8.5               |
| Fabricated Metal Products Except Machinery                | 2,935   | 3,182   | 247              | 8.4               |

**Sources:** Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation of Women Business Owners, and Cognetics Inc.